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USSR WEEKLY REVIEW

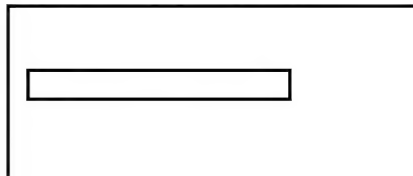
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Brezhnev Reminisces: Defends Detente and His Own Position

A Soviet literary journal has published some of Brezhnev's reminiscences about his experiences during World War II. This is an unprecedented event, and the memoirs may reveal something about his views on current policy and power issues. A recent TASS announcement of the publication provided excerpts that suggest Brezhnev's interest in using the opportunity to defend his pursuit of detente (against unnamed critics) and possibly even to take a personal swipe at his long-time associate and presumed successor, Andrey Kirilenko.

The TASS announcement on 26 January said that Brezhnev's notes concerning the battle for the "Malaya Zemlya"--a beachhead near the Black Sea port of Novorossiysk--would appear in the February issue of *Novy Mir*. This would make Brezhnev the only top Soviet leader to have had his memoirs--as distinguished from a collection of his previous articles and speeches--published while still in office. Neither Lenin, Stalin, nor Khrushchev was so honored. A few lesser figures--Old Bolshevik Anastas Mikoyan, for example--have had their memoirs published, but only after leaving office.

The TASS excerpts present Brezhnev as a man who has long been fully aware of the need for a strong defense effort, but has also learned that "war should never occur again." According to TASS, Brezhnev ends by noting that "when we advanced the peace program, when at many international meetings we came out with initiatives directed at eliminating the danger of war, I did this, I pressed for this, and I spoke about this (emphasis added) as a Communist who has profound faith in this cause and is totally dedicated to it. Such, I believe, is the main conclusion that I drew from the experience of the great war."

The most striking point, however, is one in which Brezhnev thanks the Central Committee for heeding his request to remain at the front and not recalling him in

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1943, when "other party functionaries serving in the armed forces" were reassigned to managerial posts in the country's interior. This could be read as a slap at Party Secretary Kirilenko, the only present-day Politburo member who did leave the front for a rear-echelon job at that time.

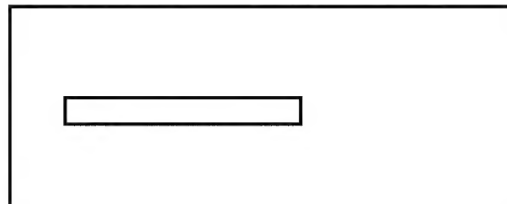
Kirilenko took pains to point up his own contributions to the war effort at the ceremonies in October 1976 marking his 70th birthday--perhaps to strengthen his claim to Brezhnev's post as General Secretary. Kirilenko's assumption of a relatively high public profile during Brezhnev's recent absence from public view could have had the same purpose. Against this background, Brezhnev's comments on the issue of frontline duty may be a gentle reminder that Kirilenko still is backup to the party's chosen number-one leader. [REDACTED]

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Soviet Economist Predicts Reform Extension

Soviet economist A. M. Birman asserts in an interview in the Italian press that three ministries will be transferred this year to the branch system of planning and cost accounting. This system was adopted as an experiment by the Ministry of Instrument Making, Automation Equipment, and Control Systems (Minpribor) in 1970 and is the furthest advance so far in practical application of the principles of the 1965 economic reform. The ministry is completely self-financing--even in capital investment--and operates under a reduced number of directives and indicators which are established on a five-year basis.

Whether this system will in fact be extended remains problematical. Birman had a reputation for carrying the banner for reform in the Soviet media, but in recent years his name has rarely appeared in the central press. His latest statement was published in *La Stampa* on 20 January. The use of the Italian press may mean that the new system does not have formal approval. Nevertheless, his message was unequivocal and corresponds to earlier evidence of plans--never carried out--to apply the experiment to the ministries he listed: Heavy and Transport Machine Building, Electrical Equipment Industry, and Tractor and Agricultural Machine Building.

Before the Party Congress in 1976, some effort was made to gain a commitment to extend the self-financing system during the 10th five-year plan, which began the same year. In 1974, the Ministry of Machine Tool and Tool Industry apparently asked permission to adopt the system, and the Ministries of Electrical Equipment Industry and of Tractor and Agricultural Machine Building were reportedly also ready to take this step.

In the first half of 1975, officials of Gosplan's department for introducing new methods of planning and economic incentives wrote about Minpribor's system and

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experiments at the ministries listed now by Birman. They discussed these experiments as a related whole-- some elements being identical and others qualifying for combination in a more elaborate management system. They wrote that Gosplan, with the participation of interested ministries, had worked up a concept for the further development of the self-financing system and that some ministries were preparing to adopt this system in 1976.

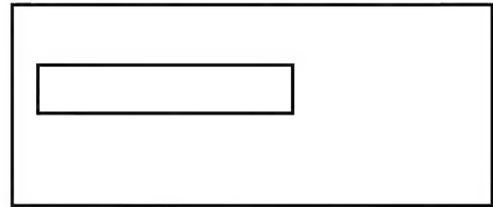
The only movement that occurred, however, was the application of Minpribor's system to the Belorussian Ministry of Industrial Construction in May 1975. This was accomplished with an evident assist from Belorussian First Secretary Masherov. In discussing the general lack of progress, a *Pravda* article in July 1976 cited fears of overemphasizing material incentives and allowing the wage fund to grow inordinately and blamed Gosplan, the Ministry of Finance, and the State Committee for Labor and Wages for their lack of support. [REDACTED]

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Soviets Contemplate Reform of Incentive System

The issue of reform of the USSR's industrial incentive program, originally stimulated by General Secretary Brezhnev at the 25th Party Congress in 1976, has been receiving increased attention in prestigious Soviet journals and newspapers during the last year. The goal of those advocating reform is to stimulate more efficient production, step up the introduction of new technology, and improve product quality. Although the proposals for reform are not new and face formidable obstacles even if adopted, they may have a better chance of being implemented as the leadership faces a convergence of major economic problems in the early 1980s.

The economic reform of 1965 attempted to set up a streamlined package of success criteria that would motivate the enterprise to satisfy customers and at the same time produce in the most efficient way. But wages and incentive funds still depended directly or indirectly on gross output, in effect the primary success indicator. This encouraged the lavish use of resources and discouraged the introduction of new products or production techniques. Additionally, over the years, in an effort to fine-tune the system, the success criteria grew in confusing array, often working at cross-purposes with each other.

At the 25th Party Congress in February 1976, Brezhnev acknowledged the need for an overhaul of the incentive system. Thereafter, articles in the general and specialized press unleashed a barrage of criticism at the present system and offered various proposals for reform. According to recent press discussion, the ideal indicator would make rewards dependent on "final results"; in other words, what is good and profitable for the individual enterprise should also be good for the consumer of the products and society as a whole.

Typical of these articles were two in mid-1977 by A. Aganbegyan, the eminent director of a major economics institute. He identified "gross" output as the biggest

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obstacle to a more rational system and suggested that under the auspices of the various state committees experiments begin in using new indicators such as "net output," which excludes the cost of materials used. A September *Pravda* article recounted the experience of Moscow's ferro-concrete plants that had abandoned gross output indicators in favor of net output indicators. Reportedly it yielded impressive material savings.

The most devastating criticism of the gross output indicator was contained in a three-part *Pravda* series last November by the newspaper's deputy editor, O. Valovoy. He directly attributed the wasteful consumption of scarce metals, inflated construction costs, and unnecessary transport of goods to reliance on the gross output concept. He took an unusually harsh swipe at Gosplan, accusing it of attempting "to maintain control over absolutely everything" while not concentrating on the "final results." According to Valovoy, various attempts have been made since 1965 to switch emphasis to other indicators, but they have been "stuck" in the experimental stage or emasculated.

Current procedures for tying incentives to product quality and the introduction of new technology have also been failures. The chairman of the State Standards Committee recently admitted that the system for awarding the "Government Mark of Quality" was not working well. Embassy officers have been told by Soviet officials that plants revert to their old ways after receiving the "Mark" while hanging on to the higher prices and attendant bonuses. In early December, *Pravda* appealed to "economic science" to come up with a better incentive system to encourage innovation. Reportedly the fear of financial loss deters the introduction of new technology in all industrial ministries, even the favored petroleum ministries.

Although the mandate for reform of the incentive system came directly from Brezhnev almost two years ago, discussion and experimentation are likely to continue for several years before changes are made, particularly since the abandonment of "gross" output would be one of the most basic changes ever faced by the enterprise manager. As the economic problems of the 1980s approach,

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the leadership may be more receptive to these ideas. Even if a new success criteria is adopted, however, results are likely to be minimal. Without more far-reaching bureaucratic changes, the criteria would still be locked into a centrally controlled system of planned production and administered prices. This would leave the relationships among the various economic units administrative rather than economic, reducing the potential economic benefits of almost any incentive criteria.



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